MONETARY POLICY STATEMENT

PRESS CONFERENCE

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Good afternoon, the Vice-President and I welcome you to our press conference.

Today, in line with our strong commitment to our price stability mandate, the Governing Council took further key steps to make sure inflation returns to our two per cent target over the medium term. We decided to raise the three key ECB interest rates by 50 basis points and approved the Transmission Protection Instrument (TPI).

The Governing Council judged that it is appropriate to take a larger first step on its policy rate normalisation path than signalled at its previous meeting. This decision is based on our updated assessment of inflation risks and the reinforced support provided by the TPI for the effective transmission of monetary policy. It will support the return of inflation to our medium-term target by strengthening the anchoring of inflation expectations and by ensuring that demand conditions adjust to deliver our inflation target in the medium term.

At our upcoming meetings, further normalisation of interest rates will be appropriate. The frontloading today of the exit from negative interest rates allows us to make a transition to a meeting-by-meeting approach to our interest rate decisions. Our future policy rate path will continue to be data-dependent and will help us deliver on our two per cent inflation target over the medium term. In the context of our policy normalisation, we will evaluate options for remunerating excess liquidity holdings.

We assessed that the establishment of the TPI is necessary to support the effective transmission of monetary policy. In particular, as we continue normalising monetary policy, the TPI will ensure that our monetary policy stance is transmitted smoothly across all euro area countries. The singleness of our monetary policy is a precondition for the ECB to be able to deliver on its price stability mandate.

The TPI will be an addition to our toolkit and can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across the euro area. The scale of TPI purchases depends on the severity of the risks facing policy transmission. Purchases are not restricted ex ante. By safeguarding the transmission mechanism, the TPI will allow the Governing Council to more effectively deliver on its price stability mandate.

In any event, the flexibility in reinvestments of redemptions coming due in the pandemic emergency purchase programme (PEPP) portfolio remains the first line of defence to counter risks to the transmission mechanism related to the pandemic.

The decisions taken today are set out in a press release available on our website. The details of the TPI are described in a separate press release to be published at 15:45 CET.

I will now outline in more detail how we see the economy and inflation developing and will then explain our assessment of financial and monetary conditions.

Economic activity

Economic activity is slowing. Russia's unjustified aggression towards Ukraine is an ongoing drag on growth. The impact of high inflation on purchasing power, continuous supply constraints and higher uncertainty are having a dampening effect on the economy. Firms continue to face higher costs and disruptions in their supply chains, although there are tentative signs that some of the supply bottlenecks are easing. Taken together, these factors are significantly clouding the outlook for the second half of 2022 and beyond.

At the same time, economic activity continues to benefit from the reopening of the economy, a strong labour market and fiscal policy support. In particular, the full reopening of the economy is supporting spending in the services sector. As people start to travel again, tourism is expected to help the economy in the third quarter of this year. Consumption is being supported by the savings that households built up during the pandemic and by a strong labour market.

Fiscal policy is helping to cushion the impact of the war in Ukraine for those bearing the brunt of higher energy prices. Temporary and targeted measures should be tailored so as to limit the risk of fuelling inflationary pressures. Fiscal policies in all countries should aim at preserving debt sustainability, as well as raising the growth potential in a sustainable manner to enhance the recovery.

Inflation

Inflation increased further to 8.6 per cent in June. Surging energy prices were again the most important component of overall inflation. Market-based indicators suggest that global energy prices will stay high in the near term. Food inflation also rose further, standing at 8.9 per cent in June, in part reflecting the importance of Ukraine and Russia as producers of agricultural goods.

Persistent supply bottlenecks for industrial goods and recovering demand, especially in the services sector, are also contributing to the current high rates of inflation. Price pressures are spreading across more and more sectors, in part owing to the indirect impact of high energy costs across the whole economy. Accordingly, most measures of underlying inflation have risen further.

We expect inflation to remain undesirably high for some time, owing to continued pressures from energy and food prices and pipeline pressures in the pricing chain. Higher inflationary pressures are also stemming from the depreciation of the euro exchange rate. But looking further ahead, in the absence of new disruptions, energy costs should stabilise and supply bottlenecks should ease, which, together with the ongoing policy normalisation, should support the return of inflation to our target.

The labour market remains strong. Unemployment fell to a historical low of 6.6 per cent in May. Job vacancies across many sectors show that there is robust demand for labour. Wage growth, also according to forward-looking indicators, has continued to increase gradually over the last few months, but still remains contained overall. Over time, the strengthening of the economy and some catch-up effects should support faster growth in wages. Most measures of longer-term inflation expectations currently stand at around two per cent, although recent above-target revisions to some indicators warrant continued monitoring.

Risk assessment

A prolongation of the war in Ukraine remains a source of significant downside risk to growth, especially if energy supplies from Russia were to be disrupted to such an extent that it led to rationing for firms and households. The war may also further dampen confidence and aggravate supply-side constraints, while energy and food costs could remain persistently higher than expected. A faster deceleration in global growth would also pose a risk to the euro area outlook.

The risks to the inflation outlook continue to be on the upside and have intensified, particularly in the short term. The risks to the medium-term inflation outlook include a durable worsening of the production capacity of our economy, persistently high energy and food prices, inflation expectations rising above our target and higher than anticipated wage rises. However, if demand were to weaken over the medium term, it would lower pressures on prices.

Financial and monetary conditions

Market interest rates have been volatile as a result of the pronounced economic and geopolitical uncertainty. Bank funding costs have risen in recent months, which has increasingly fed into higher bank lending rates, in particular for households. While the volume of bank lending to households remains strong, it is expected to decline in view of lower demand. Lending to firms has also been robust as high production costs, inventory building and lower reliance on market funding have created a continued need for credit from banks. At the same time, demand for loans to finance investment has declined. Money growth has continued to moderate owing to lower liquid savings and lower Eurosystem asset purchases.

Our most recent bank lending survey reports that credit standards tightened for all loan categories in the second quarter of the year, as banks are becoming more concerned about the risks faced by their customers in the current uncertain environment. Banks expect to continue tightening their credit standards in the third quarter.

Conclusion

Summing up, inflation continues to be undesirably high and is expected to remain above our target for some time. The latest data indicate a slowdown in growth, clouding the outlook for the second half of 2022 and beyond. At the same time, this slowdown is being cushioned by a number of supportive factors.

The Governing Council has today decided to raise the key ECB interest rates and approved the TPI. At our upcoming meetings, further normalisation of interest rates will be appropriate. Our future policy rate path will continue to be data-dependent and will help us deliver on our two per cent inflation target over the medium term.

We stand ready to adjust all of our instruments within our mandate to ensure that inflation stabilises at our two per cent target over the medium term. Our new TPI will safeguard the smooth transmission of our monetary policy stance throughout the euro area as we keep adjusting the stance to address high inflation.

We are now ready to take your questions.

* * *

My first question is on your forward guidance and what the frontloading means for September, because you previously have been guiding us and the market that September will see a 50 basis points hike unless there are clear signs of inflation going down.

The second question is on Italy. We are seeing yields rising with the political uncertainty at centre stage. What's your message to the market? Is the TPI big enough and bold enough to prevent a potential escalation of the situation?

Actually, your question helps me give you a bit of an insight of what happened during this really important Governing Council meeting. Governing Council members around the table made two important decisions. The first one had to do with interest rate hikes by 50 basis points – and I will come back to forward guidance in a minute – and also decided to approve at unanimity, unanimity of the Governing Council, the Transmission Protection Instrument. So let me come back to the interest rate hikes that we decided, and I will come back, as a result, to your forward guidance question. We debated internally within the Governing Council about the pros and cons of sticking to the signalled 25 basis points of July, which entailed the other forward guidance that we gave in respect of September. The two of them were clearly a package. And having weighed the pros and cons we decided, on balance, that it was appropriate to take a larger step towards exiting from negative interest rates.

We did that on the basis of several indicators, several elements which we believe constituted a change relative to our June Amsterdam meeting. And I can come back to those four elements, because I think they're important. They all relate to a materialisation of inflation risks that we had flagged in Amsterdam, but which we have seen materialising in the meantime.

I think the second important component that played a role in our decision was that the situation has changed in relation to transmission. We had not implemented yet the flexible reinvestment under PEPP, and certainly we did not have at the time a transmission protection instrument. So these two elements combined - realisation of upside risk to inflation plus the presence and the operationality of the flexible reinvestment under PEPP, and, more importantly, the unanimous support of the Governing Council for the transmission protection instrument - led us to decide a larger-than-what-had-been-signalled rate hike on the occasion of this meeting. That is really what, if you want to go behind the curtain of the Governing Council debates, this is what took place.

I would add that in relation to the rate hikes we had the debate, weighted the pros and cons, and at the end of the discussion all members of the Governing Council rallied to the consensus of 50 basis points. So it's a strong indication on both accounts in relation to the higher step that we are taking to exit from negative interest rates, and on the other front, which is making sure that our monetary policy stance is transmitted smoothly throughout the entire euro area.

Now, the TPI is, obviously, an instrument that will help us deliver on our mandate of price stability, bringing inflation in the medium term back to 2%, and under that TPI all members of the euro area can be eligible; all of them. You will find in the press release later, after this press conference, the detail of the eligibility conditions, but all members of the euro area are eligible. The Governing Council, in its discretion, in its assessment will determine on the basis of the eligibility criteria, on the basis of the indicators that will signal or not unwarranted, disorderly market dynamics, whether or not a country is eligible and whether it activates the TPI. Voilà.

I want to follow up on Italy. Given that right now there is a very clear reason behind market reaction, do you see any way for you to buy Italian debt in the foreseeable future, while arguing that market reaction was unwarranted, which would be the condition for the TPI?

Then coming back to the September decision: Is this really now the interest rate decision for September? Is it really completely open now? Do you still envision a move of larger than 25 basis points?

On your first question, as I have just described TPI – and I'm happy to come back to that in terms of eligibility conditions and decision-making of the Governing Council. TPI is a programme that is designed to address a specific risk that all euro area countries can face, so all euro area countries are, in principle, eligible to the TPI. Subject to what? Subject to being considered by the Governing Council as eligible to the TPI, on the basis, notably – notably, not exclusively, it will be the discretion of the Governing Council to make the decision – notably on the basis of criteria that are very specifically spelt out. If and when the TPI needs to be activated, obviously, the Governing Council is going to conduct a thorough assessment of the situation in the affected countries, and the decision to begin TPI purchases, as I said, will be in the entire discretion of the Governing Council. Now, clearly, to assess whether you have unwarranted, disorderly market dynamics, the Governing Council will take into account multiple indicators to determine the warranted versus unwarranted, and to determine the orderly versus disorderly, and multiple indicators have been discussed and will be taken into account by the Governing Council.

You wanted to come back to September. That's a good point. I think what I tried to explain in my first answer is that in June we have signalled – it's not exactly what I said, by the way, neither in my blog nor in my Sintra speech, just in case you are interested, and very scrupulous and scrutinise those documents. But at our Amsterdam June meeting we signalled our intention to increase by 25 basis points. And that was a signal - some degree of forward guidance to that signal - that was coupled with the signal that was given in relation to September. Given the decision that we are taking today, which is to increase – and remember Amsterdam, for those of you who have forgotten – was we intend to increase by 25 basis points, and at our September meeting the incremental increase will be possibly larger than 25. ,And some of you have assumed that it might be 50. But we decided to go for 50 basis points hike in July, and therefore, the combined forward guidance that existed for September is no longer applicable. I think if you go back to the monetary policy statement you see very clearly that from now on we will make our monetary policy decisions on a data-dependent basis, will operate month by month and step by step.

So what happens in September is going to depend on what data we have for September, but we are definitely on a normalisation path, in order to reach our medium-term objective of 2%. We will determine in September on the basis of the data that we receive - and this is an [ECB staff macroeconomic] projection exercise in September. So on the basis of the data that we receive at the time of those projections, we will determine what step we take on the normalisation path that we are taking in order to deliver on our medium-term 2%. Now, that doesn't mean to say that we are changing the ultimate point of arrival. We are accelerating the exit, and we are following the path of normalisation that we have flagged.

How will the ECB decision on the interest rates affect the retail investors in the medium- and long-term? More specifically, I am wondering what kind of effect it will have on a normal private person that is in the market and now wondering what this will do with his or her money?

Well, we are moving all three interest rates by 50 basis points. So, obviously, the cost of funding for banks and the cost of credit for those who borrow from banks is, assuming good transmission, which I do, given that we have a Transmission Protection Instrument and that we are very attentive to that, will go up. That's pretty obvious. Why is that actually beneficial, at the end of the day, for those in the retail sector, for those consumers, for all economic agents? The most precious good that we can deliver, and that we have to deliver, is price stability. So we have to bring inflation down to 2% in the medium-term. That is the imperative under the treaty, that is the strategy review objective that we have set for ourselves, and it's time to deliver.

My first question is whether you are going to announce TPI purchases when you make them, and whether you are going to sterilise them, and if so, how?

As far as publication is concerned, publication will take place in due course according to publishing principles and rules that we apply. So that's answer to your question one. As far as the other question is concerned, I would just like to clarify that, if TPI is activated, it will avoid interference with the appropriate monetary policy stance, and we will address the implications of TPI purchases for the scale of the aggregate Eurosystem monetary policy debt security portfolio, and the amount of excess liquidity. I'm not going to go through the details of exactly which mechanism, sterilisation or otherwise, we would be using. These are practical matters that certainly have been discussed, have been agreed, but, if you don't mind, the Transmission Protection Instrument is intended to facilitate, enhance, transmission of our monetary policy stance in particular circumstances that we will address, and the ECB will be capable of doing that. And the ECB is capable of going big for that.

Back in March 2020 you said that you were not here to close the spreads. Does this transmission protection instrument mean that you are now here to close the spreads, and will it be used to counter the increase in borrowing costs that we've seen in Italy as a result of the political uncertainty that's developed there?

You give me another opportunity to clarify exactly what TPI is about. TPI is going to be an addition to our toolkit, and it can be activated to counter unwarranted disorderly market dynamics that pose a serious threat to the transmission of monetary policy across the euro area. Why do we do that? Because we want to make sure that we deliver on our mandate. We want to make sure that our monetary policy stance is transmitted throughout the entire euro area. It's not the only tool that we have in our toolkit.

We have two existing tools already: We have, number one, PEPP, and in particular the flexible reinvestment of redemptions, as we announced back in June, which is now operational. So the flexible reinvestment of PEPP is operational, and it allows us to deal with unwarranted fragmentation risks that are created as a result of pandemic risks. We have OMT, which gives us a tool to deal with unwarranted impairment to transmission that are caused by redenomination risks and that are country-specific. And now we have TPI, that I have just described, in order to counter unwarranted, disorderly market dynamics. So we have the three instruments in the toolbox, and they all can be operated.

As I have said, and I will repeat, TPI is a programme designed for specific circumstances to address specific risks, but that is available to all countries of the euro area. Because our concern is that monetary policy is transmitted throughout the entire area. So when the Governing Council will determine that a country is eligible under the four criteria that I am happy to come back to, if you want, and on the basis of the indicators that there is disorderly market dynamics, then it will decide that that country is eligible to TPI, it will activate TPI, and, as I said earlier on, there is no ex-ante limit to that programme.

Now, I'm happy to go through the four specific criteria if any of you are interested. So there are four of them, and I think it's important that we understand that on this occasion, like on any occasion having to do with either monetary policy stance or monetary policy transmission, the ECB determines in its own discretion, not being hostage to anyone. So the four criteria that it will use will be indicative, will be elements of information that it will take into account in order to make its decision.

So the first one is compliance with EU fiscal framework, and that can take one of two forms, either not be in excessive deficit procedure, or having failed to take the effective action in response to [European] Council recommendations. So that's on the fiscal framework, and obviously borrows from another European institutions, which is both the Commission and the Council. The second is the absence of severe macroeconomic imbalances, and again, it borrows from other European institutions in relation to the excessive imbalance procedure. The third is fiscal sustainability, so this is making sure that the trajectory of public debt is sustainable. And to do that the Governing Council will take into account analysis by the European Commission, by the ESM, by the IMF, by other institutions, but it will certainly be together with the ECB internal analysis. Fourth: sound and sustainable macroeconomic policies, complying with the commitments submitted in the countries' recovery and resilience plans for the RRF [Recovery and Resilience Facility], and the European-Commission specific recommendations in the fiscal sphere under the European Semester.

So you have a combination of criteria ranging from fiscal to macroeconomic, to compliance with the RRPs [Recovery and Resilience Plans] in particular, and obviously the DSA [Debt Sustainability Analysis]. So all these four categories will be taken into account by the Governing Council. , But once again, the Governing Council decides in sovereignty in respect to eligibility to the TPI.

As a possibility of a total gas cut from Russia by this winter is more and more credible, and you just spoke about downside risk, and some institutional studies show that this will lead to recession and raise energy costs again. If that happens, will this be a signal to reverse monetary policy and become accommodative again? What could be the reaction of the ECB?

As you know, the primary mandate of the ECB is price stability, which we have defined as the 2% inflation medium-term. ,And what we observe is on the outlook front and on the inflation front, and we try to assess what are the risks to both. We see downside risk to growth. I've explained that in detail in the Monetary Policy Statement, and made specific reference to the unjustifiable, unacceptable invasion of Russia against Ukraine, and consequences as a result of it. We are seeing upside risk to inflation, particularly in the short-term, but spreading. So as ECB what we have to do is act in relation to inflation given the circumstances. That's what we are doing. To your question about the impact of gas, it is clear that energy prices play a critical role in the high inflation numbers that we are seeing, that are undesirable, and that we will, unfortunately, continue to see for some time. So we are very attentive to what happens on the energy front, and in particular on the gas front, because it has an impact on electricity prices, as we all know.

So, most recent evolution concerning the gas supply through Nord Stream 1 in particular, is obviously a factor that we take into account. , And the decisions that have been announced by the European Commission in relation to savings, in relation to solidarity, in relation to inventory, are also taken into account in relation to the role that energy plays in relation to inflation, but also, obviously, in relation to growth. So we are very attentive to all these factors. Is that going to lead to a recession? We look at our projection dating back to June, we look at the most recent forecast published by the Commission last week. Under the baseline scenario there is no recession, neither this year nor next year. Is the horizon clouded? Of course it is.

I have two questions. First, I would like to go back to Italy, of course, because it's not only a question of debt. How worried are you about the collapse of the Draghi government, also due to the fact that Italy will become a large part of the Next Generation EU, which would fuel also the growth in the euro zone, and that this is a reform path, and so also the Next Generation EU money it receives could be interrupted by this political crisis, so also threatening the growth outlook in the whole euro zone?

My second question. Very often in the last decade at least, the rises of rates on government bonds were caused by political crises. So if I'm not wrong, you mentioned the four criteria, and Italy would meet these criteria at this moment. But this is, of course, a crisis which is caused by a political reason, by a political cause, a government crisis, self-inflicted by Italy. Would you think that this could be considered as an unwarranted rise of rates on the government bonds if it went on? The spread is already rising this morning.

Let me just remind you that the ECB does not take a stance on political matters. Political matters are for the democratic process of each and every member state, and that is certainly the case for the country that you are referring to. Differences in local financing [conditions] can legitimately arise. Among other [reasons], due to the country-specific macroeconomic landscape, and that has happened in the past. So the Governing Council will make the assessment of whether a country meets the eligibility criteria or not at the time when it has to make those determinations. And it will do so having a threefold assessment, if you will. First of all, it will determine a comprehensive assessment of market and transmission indicators. There's a whole range of such indicators. Second, it will at that time evaluate the eligibility criteria. Third – that's very important – it will have to make a judgement call that activation of purchases under the TPI is proportionate to the achievement of the ECB primary objective. Now, those of you who are familiar with the legal requirements and with the concept of proportionality will have understood what I mean by that, but this is, obviously, operational in relation to any activation decision that is being made.

I have a couple of questions. The first one is that 14 years ago one of your predecessors here, when there was a rise in the rates, dismissed the argument that the rise would put further strain in the peripheral countries, and he said, 'I don't buy that argument.' I was wondering if now, do

you buy that argument, because in a sense this new instrument you are announcing, even though it's just an extra one, basically, those criteria describe pretty well those countries in problems that 14 years ago may need the help of the ECB. So do you think that their economies are more resilient right now, or just the instrument as it is, it will help them to compensate the effects of the new rate?

The second one, if I may, is the Spanish Government has announced a new tax on banks for windfall profits. They explain they do that because of the interest rate rise. I was wondering if you will eventually have an assessment, and you have an opinion, as you have in the past, because it happened before in other countries.I was wondering do you think it's actually a good answer for after it has been announced, or just because of what has been announced today here?

Lagarde: I think your second question will be addressed my colleague, the Vice-President de Guindos.

de Guindos: Good afternoon everyone. Well, it's very difficult to give an opinion when you do not know the concrete details of the tax. We do not know the characteristics. We do not know whether it will be a tax on profits, it will be a tax on assets. So that's the first thing that we have to say; we do not know the details, and so our opinion cannot be complete in that respect. What I can tell you is what has been our policy line in the past with respect to taxation of banks. If you look at our opinions in the past, they are quite clear. What they tried to make quite explicit is that the tax should not impair credit extension, credit growth, because this is important for economic activity. Second, that we should try to avoid any sort of tightening of financing conditions for households and corporates. Finally, that the tax should not damage the solvency of the banking industry.

This has been always in the opinions that we have produced in the past. It has been always this kind of message to the governments. But I repeat again, we do not know the concrete characteristics and features of the Spanish tax that has been announced, as you have said, by the Spanish Government. And so in order to have a much more concrete and specific answer and response and opinion, we will have to wait a little bit.

Lagarde: To your first point, that helps me to yet again come back to TPI, because in a monetary union there is an inherent risk, particularly the monetary union that we have here in the euro area, there's an inherent risk that a large shock can create fragmentation risks, and that can lead to self-fulfilling market dynamics that are not warranted. It matters for the singleness of our monetary policy in our monetary union. , But those impediments can have different sources, and that is the reason why we have several tools. As I said earlier on, we have the flexible reinvestment of PEPP, which has been deployed, and is currently operational. We have OMT, which was decided back then for another unwarranted, disorderly market dynamic, but having to do with more country-specific matters, and closely associated with the redenomination risk, because that's really what it was designed for at the time, if you remember.

So we were short of this particular tool, which is the one that we have in front of us, the Transmission Protection Instrument, that is not related to redenomination risks, but to the unwarranted, disorderly market dynamics that can impair the proper transmission of monetary policy throughout the euro area. Which is, as I said again, it's with no limitation ex ante, which has been designed carefully with adequate attention paid to the safeguards that are necessary for that instrument to be valid, and with a creditor seniority that is pari passu with any other creditor in order for it to be efficient and not to crowd out. So that's what we have done, and I can assure you that we would rather not use TPI. The Governing Council would rather not use it, but if we have to use it, we will not hesitate. We will not hesitate.

I've got two brief questions. Your previous forward guidance to this rate decision is about five weeks old, yet the rate-hike decision is a lot bigger than anticipated. Did the monetary conditions in the euro zone deteriorate that fast, or is the agreement on TPI giving you the ability to go further than you anticipated?

The second question, you stated that you are on a path towards normalisation, what interest levels are considered normal by the ECB?

The reason we decided, by total consensus around the table, to depart from the signal that we had given back in Amsterdam, was twofold. Number one, we had clear realisation of upside risk to inflation. , And I can give you a list of those examples: inflation going from 8.1% in May to 8.6% in June, way above our forecast; seasonally-adjusted month-on-month inflation rates that show strong inflation momentum for nearly all components; number three, a broad range of indicators of underlying inflation that have continued to increase; and pipeline pressures that are rising to record high levels. And, added to that, which relates, essentially, to inflation, the euro/dollar rate that has fallen substantially in the last few weeks, which obviously has a bearing on inflation going forward. So it's on the basis of that set of monetary-policy-stance related elements that we have taken the decision.

As I said, two-fold, inflation-related, and second, the fact that the concern that we had about monetary policy transmission is addressed by, number one, the deployment of the PEPP flexible reinvestment policy, and second, the unanimous support of the entire Governing Council to a strong and powerful transmission protection instrument that I have just described earlier on. So on the stance front we had good reasons to revisit, and on the transmission we are confident that the existence of that instrument, its ability to be deployed, is actually reinforcing our capacity to deliver on our price stability mandate and to walk that journey of monetary policy normalisation. Now, as I said earlier on, going from the signal [of] 25 to the 50 [basis points] that you are seeing now, is a higher step out of negative interest rates. So we are now moving in one go to zero. Does that mean that we are changing the terminal rate at which we want to arrive? No. Does that mean that we are going to move extremely fast? As I said, we will be operating month-by-month, meeting-by-meeting on the basis of data, and we will adjust and calibrate accordingly.

We are much more flexible; in that we are not offering forward guidance of any kind. I was asked several times the questions about September. There is no such thing. We are data-dependent, but the ultimate destination of our policy path remains the same, which is to progressively raise interest rates to [a] broadly neutral setting. That's where we want to arrive at. If you are asking me next 'What is the neutral setting?' At this point in time I don't know. What I can observe is that it has changed over the course of the last few years for a reason of factors having to do with demographics, with productivity and all the rest of it. As seen by markets, it has also significantly adjusted in the last few weeks. So we will cross that bridge when we cross that bridge.

Do you think this is a historic moment? Are you personally glad that the time with the negative interest rates is over now?

I think it's a rather historical moment for me, at least, for two reasons. One is it's very good when a whole team – the whole Governing Council – 25 members around the table, actually are in complete alignment and support for a transmission protection instrument which we regard as critical in order to properly transmit our monetary policy going forward. So in that respect, at least from the President of the ECB point of view, yes, I think it's quite a gratifying moment. It means that staff has done an enormous amount of work, that all members of the committees that are bringing together the expertise of the national central banks – Bundesbank included, of course – have worked really hard, and that we have come to the same view without any reservation. So it is important in that respect. I think it's the first time in over a decade that we raise interest rates. And moving out of negative interest rates, by all accounts, certainly to me, is going to facilitate a number of things that we can explain to European citizens in order to help them understand what we are trying to do in order to reduce inflation and in order to procure price stability. So in those two respects, yes, but, you know, I have a short history as a central banker.

If I may go back to TPI: you called it a programme and a mechanism. The market calls it a shield, and we look at it as a shield that can protect all countries, but it's also complex by the way you described it. How fast can you trigger if a country needs this kind of shield? And once you trigger it, it means that the country is protected for as much as needed?

Then a second question on TLTROs, because banks are worried that you might modify TLTROs, the targeted longer-term financing operations, with the rise of interest rates, whether it is so and whether this was discussed?

The Transmission Protection Instrument is an instrument. It's one that is intended for transmission of monetary policy throughout the euro area. So we intend to use it as a tool to make sure that monetary policy is transmitted throughout the region, our region, and is smoothly transmitted, without being impaired by unwarranted, disorderly market dynamics. It is not so complicated. You will see, because the press release will be out in two minutes, and it will not give you, by the way, all details. It will give you some of the eligibility conditions, some key terms and conditions, but you should not expect all details to be there, because there is an element of discretion and judgement on the part of the Governing Council members to decide or not on activation and to assess eligibility or not. There are certain components that are best kept unpublished, undisclosed, uncommented upon, and I am sure that you understand. This instrument has been developed in record time by our teams. They can work fast. We work fast, and we can do so at any point in time, in relation to eligibility, in relation to activation, in relation to drafting, which has been the case.

On TLTRO, as you will have noted in the monetary policy statement, there is a particular sentence which says, 'In the context of our policy normalisation we will evaluate options for remunerating excess liquidity holdings.' What has worked in one direction has to be identified, analysed and properly addressed in the other direction. We are now in the process of normalising. Other principles apply, and that’s what we will do in the near future.

Thank you very much. That brings our press conference to an end. Thanks a lot for joining. Our next regular press conference is scheduled for 8 September. Until then we wish you a good summer and a good afternoon, and bye-bye.

Yes, have a good vacation. Hope to see you.

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